REMARKS/ARGUMENTS

Favorable reconsideration of this application, as presently amended and in light of the following discussion, is respectfully requested.

Claims 1-16, 20-35, 38-54, 70, and 74-98, and 100-125 are currently pending in the present application, Claims 14-16 having been amended, Claim 73 having been canceled by the present amendment, Claims 17-19, 36-37, 55-69, 71, 72, and 99 having been previously canceled, and Claims 31-35, 38-54, 70, 74-98, and 100-125 having been withdrawn from consideration. Support for the amendments to Claims 14-16 is believed to be self-evident from the originally filed disclosure. Applicants respectfully submit that no new matter is added.

In the outstanding Office Action, Claim 14 was objected to; Claims 1-16, 20-25, 29-30, and 73 were rejected under 35 U.S.C. §103(a) as unpatentable over Yoshiura et al. (U.S. Patent No. 6,131,162, hereinafter Yoshiura) in view of Musgrave (U.S. Patent No. 6,208,746), and further in view of Milsted et al. (U.S. Patent No. 6,345,256, hereinafter Milsted); Claim 26 was rejected under 35 U.S.C. §103(a) as unpatentable over Yoshiura et al. (U.S. Patent No. 6,131,162, hereinafter Yoshiura) in view of Musgrave (U.S. Patent No. 6,208,746), and further in view of Milsted and Finkelstein et al. (U.S. Patent No. 5,185,733, hereinafter Finkelstein); and Claims 27 and 28 were rejected under 35 U.S.C. §103(a) as unpatentable over Yoshiura et al. (U.S. Patent No. 6,131,162, hereinafter Yoshiura) in view of Musgrave (U.S. Patent No. 6,208,746), and further in view of Milsted and Gell (U.S. Patent No. 6,577,858).

Applicants thank the Examiners for the courtesy of an interview extended to Applicants representative on October 2, 2007. During the interview, differences between the present invention and the applied art, and the rejections noted in the outstanding Office

Action were discussed. No agreement was reached pending the Examiner's further review when a response is filed. Arguments presented during the interview are reiterated below.

With respect to the objection to Claim 14, the preamble of Claim 14 is amended to provide an antecedent basis for "the transaction server," "the first apparatus," "the second apparatus," "the first client," and "the second client." Claim 14 is amended to be similar to Claim 1. Thus, no new matter is added and no new issues are raised.

With respect to the rejection of Claim 1 as unpatentable over Yoshiura, Musgrave, and Milsted, Applicants respectfully traverse this ground of rejection. Claim 1 recites, *inter alia*, "a first apparatus for applying a perceptible watermark to the material and a second apparatus for removing the watermark," "using said first apparatus...to apply a perceptible watermark to the material...and the invertible algorithm provides a perceivable impairment to the material," "transferring from the transaction server to the second apparatus watermark removal data," and "using the second apparatus to remove the perceivable watermark using said removal data, so as to remove the perceivable impairment from the material." Yoshiura, Musgrave, and Milsted, taken alone or in proper combination, do not disclose or suggest these elements of Claim 1.

Yoshiura discloses a system that allows the provenance of content to be traced. A purchaser generates a public and private key within their computer. The public key is sent to a content provider and this public key is used to encrypt the content. The encrypted content is sent to the purchaser of the content which is then decrypted using the corresponding private key. Also generated at the purchaser computer is a signature of the content. The signature is generated in accordance with both the private key and the content. The generated signature is then embedded into the decrypted content. Col. 13, lines 56-57 of Yoshiura states "the purchaser cannot remove the digital signature." Col. 17, line 7 of Yoshiura further emphasizes that the signature is inseparably embedded into the content.

The purpose of Yoshiura is to make sure that the signature (or watermark) cannot be removed from the content by the purchaser. As the signature is inseparably embedded into the content, if the purchaser subsequently copies the content and distributes this to a third party, the source of the illegally copied content can be traced to the purchaser. Thus, if Yoshiura were modified so that a purchaser could remove the signature (or watermark), the essential purpose of Yoshiura would be destroyed.

As the signature is embedded into content that has been legally paid for by the purchaser, the signature is not perceivable. If the content is copied, the content provider can extract the signature from the content (because they own the original content without the signature). "Extract" means that the watermark is reproduced by comparing the watermarked material to the original material without a watermark. The watermarked material still includes the watermark. The watermark is not removed from the watermarked material. The signature is then analyzed to establish the public key used to generate the signature. This then is linked to the purchaser who is the source of the copied material.[1]

As explained above, Yoshiura does not disclose or suggest "using the second apparatus to remove the perceptible watermark using said removal data, **so as to remove the perceivable impairment from the material**" (emphasis added).

The outstanding Office Action takes the position that Yoshiura discloses "subject to predetermined conditions being satisfied, transferring ... data to remove the watermark from the material". Applicants respectfully submit that this position is incorrect. The passage highlighted by page 5, lines 20-23, of the Official Action describes a sixth embodiment in which the mark (hereinafter referred to as "material") has a watermark embedded therein placed on a vendor website. When a consumer downloads the website having the material (including the watermark embedded therein), the consumer can check the validity of the

[1] Yoshiura, cols. 13 and 14.

material by extracting the watermark from the extracted material (i.e. reproducing the watermark and material from the webpage), and sending the extracted watermark to the validity checker.

It is not appropriate to read the term "extracted" as meaning "removing." This is because the whole point of Yoshiura is to validate the material (i.e., to prove the provenance thereof). Accordingly, if the term "extracted" was interpreted to mean "removed," the webpage which the consumer has accessed would have not only the watermark removed (meaning that no other consumers would be able to validate the material), but there would be no material on the website to validate as that too is extracted. Thus, Yoshiura should not be interpreted in this manner and to do so would be incorrect. Therefore, the above-noted claim feature is not disclosed as no watermark is removed.

Paragraph 8 of the Official Action still maintains that Yoshiura discloses the removal of the signature. The passage highlighted by the Official Action relates to the provider system. In other words, this section of Yoshiura refers to the system that provides the original content and which applies the watermark to the material.

The provider system in Yoshiura is akin to the claimed first apparatus. On the other hand, the invention defined by Claim 1 specifically states that it is the second apparatus (i.e. a different apparatus) that removes the watermark.

Thus, in Yoshiura, the extracting of the watermark is performed by the provider (first apparatus) of the content. However, in the invention defined by Claim 1, the removing of the watermark is performed by an apparatus (second apparatus) different than the apparatus that provided the content (first apparatus).

Additionally, there is an inconsistency on page 5 of the Official Action, in which it is stated that the transferring of the material identifier is disclosed in Yoshiura. However, the

Official Action goes on to state that Yoshiura does not teach the material identifier. Thus, there is a clear inconsistency in the Official Action which needs clarification.

The Official Action combines three documents in an attempt to render the invention defined by Claim 1 obvious. Particularly, the Official Action appears to take the position that the skilled artisan, based on the perceptible watermark in Musgrave ,would modify Yoshiura to make Yoshiura's watermark perceptible. Applicants respectfully traverse this position.

Yoshiura relies on checking the provenance of material and not to stop people from copying the material. If a person of ordinary skill in the art were to read Yoshiura, they would find that it was necessary to trace who copied material by looking at the signature (or watermark). However, as this material was put onto a webpage to be viewed by a user, this watermark should not be perceivable because to do so would detract from the material. Further, as the watermark is related to a unique ID of a vendor in Yoshiura, it would totally detract from the system disclosed therein if the unique ID was visible to all users. It would be very easy for a hacker to use this ID and fraudulently include this on stolen material which would then ruin the whole provenance tracing system of Yoshiura. Accordingly, it seems wholly inappropriate to continue stating that the skilled artisan would simply combine this into the system of Yoshiura when to do so would make useless the system explained therein.

MPEP §2143.01(V) states "If proposed modification would render the prior art invention being modified unsatisfactory for its intended purpose, then there is no suggestion or motivation to make the proposed modification." Thus, Applicants respectfully submit that a person of ordinary skill in the art would not modify Yoshiura to have the signature (or watermark) be removed as this would render Yoshiura unsuitable for checking the provenance of material.

In any event, the proposed combination set forth in the outstanding Office Action still fails to disclose or suggest the claimed transferring the watermark removal data to the watermark removal apparatus.

Notwithstanding the above, it is respectfully submitted that these features missing from Yoshiura are not taught by Musgrave. In addition to the previous arguments as to why a person of ordinary skill in the art would not modify Yoshiura in view of the disclosure of Musgrave, Musgrave discloses that the biometric data is stored locally within the system of Musgrave. Therefore, the biometric data would never be transferred by the transaction server to the client.

Furthermore, Milsted does not cure the deficiencies in Musgrave and Yoshiura. As noted in col. 11, lines 22-26 of Milsted, the digital content always contains information regarding its source and its permitted use regardless of where the content resides or where it comes from. This information may be used to combat illegal use of the content. This passage highlights that the transfer of watermark removal data to remove the watermark from the material is also not taught in Milsted.

In view of the above-noted distinctions, Applicants respectfully submit that Claim 1 (and any claims dependent thereon) patentably distinguish over Yoshiura, Musgrave, and Milsted, taken alone or in proper combination. In addition, Claim 14 is amended to included elements similar to those of Claim 1. Furthermore, Claim 20 recites elements analogous to those of Claim 1. Applicants respectfully submit that Claims 14 and 20 (and any claims dependent thereon) patentably distinguish over Yoshiura, Musgrave, and Milsted, taken alone or in proper combination, for at least the reasons stated for Claim 1.

Consequently, in light of the above discussion and in view of the present amendment, the present application is believed to be in condition for allowance and an early and favorable action to that effect is respectfully requested.

Respectfully submitted,

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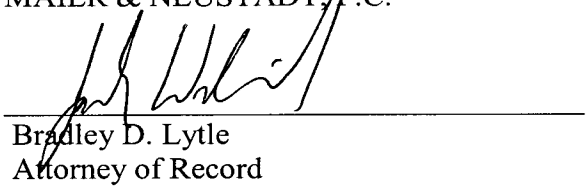

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